

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. NO.: 3598-01  
BILL NO.: HB 1498  
SUBJECT: Funerals and Funeral Directors; Revenue Department; Taxation and Revenue  
TYPE: Original  
DATE: February 8, 2000

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**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON STATE FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2001</b>	<b>FY 2002</b>	<b>FY 2003</b>
General Revenue	(\$2,346,019)	(\$3,607,004)	(\$3,697,179)
School District Trust	(\$782,006)	(\$1,202,335)	(\$1,232,393)
Conservation	(\$97,751)	(\$150,292)	(\$154,049)
Parks and Soil	(\$78,201)	(\$120,233)	(\$123,239)
<b>Total Estimated Net Effect on <u>All</u> State Funds</b>	<b>(\$3,303,977)</b>	<b>(\$5,079,864)</b>	<b>(\$5,206,861)</b>

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2001</b>	<b>FY 2002</b>	<b>FY 2003</b>
None			
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 4 pages.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Local Government	(\$1,173,010)	(\$1,803,502)	(\$1,848,590)

### FISCAL ANALYSIS

#### ASSUMPTION

Officials of the **Department of Revenue (DOR)** state the proposal would exempt the sale of all items used in the final disposition of a dead human body or in the connection with a funeral, burial or cremation service from sales and use taxes.

Taxable sales for businesses in the SIC category "726-Funeral Service and Crematories" in FY 98 were \$108,925,594. An inflation rate of 2.5% is assumed for subsequent fiscal years. Similar proposals from this year and 1999 were limited to sales of coffins, caskets, burial cases and burial vaults, and subsequently, only a fraction (80%) of the sales in SIC category 726 were excluded from sales tax in the estimate. However, this proposal includes all items necessary for disposition of a human body so 100% of the SIC category sales are considered excluded from sales and use tax.

**Oversight** assumes the fiscal impact would not occur until October 1, 2000. This is because the law would go into effect August 28, 2000, and a one month lag is assumed. This would result in eight months of fiscal impact in FY 2001. Estimates are based on 1998 sales data.

**This proposal would result in a decrease in Total State Revenues since Sales and Use Tax collections are included in the calculation of Total State Revenue.**

<u>FISCAL IMPACT - State Government</u>	FY 2001	FY 2002	FY 2003
	(10 Mo.)		

#### **GENERAL REVENUE FUND**

##### Loss - General Revenue Fund

Elimination of sales tax on items used in the disposal of dead human bodies	(\$2,346,019)	(\$3,607,004)	(\$3,697,179)
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<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>	<b>(\$2,346,019)</b>	<b>(\$3,607,004)</b>	<b>(\$3,697,179)</b>
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FISCAL IMPACT - State Government  
 (Continued)

FY 2001      FY 2002      FY 2003  
 (10 Mo.)

**SCHOOL DISTRICT TRUST FUND**

Loss - School District Trust Fund

Elimination of sales tax on items used in the disposal of dead human bodies	(\$782,006)	(\$1,202,335)	(\$1,232,393)
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**ESTIMATED NET EFFECT ON  
 SCHOOL DISTRICT TRUST FUND**

<u><b>(\$782,006)</b></u>	<u><b>(\$1,202,335)</b></u>	<u><b>(\$1,232,393)</b></u>
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**CONSERVATION FUND**

Loss - Conservation Fund

Elimination of sales tax on items used in the disposal of dead human bodies	(\$97,751)	(\$150,292)	(\$154,049)
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**ESTIMATED NET EFFECT ON  
 CONSERVATION FUND**

<u><b>(\$97,751)</b></u>	<u><b>(\$150,292)</b></u>	<u><b>(\$154,049)</b></u>
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**PARKS AND SOIL FUND**

Loss - Parks and Soil Fund

Elimination of sales tax on items used in the disposal of dead human bodies	(\$78,201)	(\$120,233)	(\$123,239)
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**ESTIMATED NET EFFECT ON  
 PARKS AND SOIL FUND**

<u><b>(\$78,201)</b></u>	<u><b>(\$120,233)</b></u>	<u><b>(\$123,239)</b></u>
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FISCAL IMPACT - Local Government

FY 2001      FY 2002      FY 2003  
 (10 Mo.)

Loss to Cities

Elimination of sales tax on items used in the disposal of dead human bodies	(\$703,806)	(\$1,082,101)	(\$1,109,154)
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Loss to Counties

Elimination of sales tax on items used in the disposal of dead human bodies	(\$469,204)	(\$721,401)	(\$739,436)
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FISCAL IMPACT - Local Government  
(continued)

FY 2001	FY 2002	FY 2003
(10 Mo.)		

<b>ESTIMATED NET EFFECT ON LOCAL GOVERNMENT</b>	<b>(\$1,173,010)</b>	<b>(\$1,803,502)</b>	<b>(\$1,848,590)</b>
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FISCAL IMPACT - Small Business

Small businesses who sell items used in the final disposition of human bodies would be expected to be fiscally impacted to the extent that would no longer collect and pay sales tax on these items.

DESCRIPTION

This proposal exempts from state and local sales and use taxes all sales of merchandise for use in the final disposition of a dead human body and all sales of merchandise for use in or in connection with a funeral, burial, or cremation service for a dead human body, including coffins, caskets, urns, burial cases, burial vaults, grave monuments, and grave markers.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Revenue



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Director  
February 8, 2000